

Implementation Manual

Local Government Safeguards for the August 2026 Reorganisation Window

Introduction

This manual provides practical guidance for territorial authorities and ratepayer groups on how to implement five key safeguards into any local government reorganisation proposal. These safeguards are designed to protect ratepayers, maintain local voice, and ensure long-term infrastructure resilience.

The five safeguards are:

- Mandatory Renewal Funding Floor (2.5% of Optimised Replacement Cost)
- Strong Community Boards with Real Delegated Powers
- Binding Local Referenda (55% threshold)
- Ratepayer Protection Ring-Fence
- Insurance and Credit Certainty Gate

1. Mandatory Renewal Funding Floor

Rationale

New Zealand has a documented infrastructure renewal backlog exceeding \$4.2 billion. Many councils are currently spending only 30–50% of what is required to maintain asset condition. Without a statutory requirement, renewal funding is routinely diverted to operating budgets or new capital projects. This short-term practice creates long-term liabilities that future ratepayers must bear.

Recommended Clause (Model Wording)

“Each new or restructured territorial authority shall, from the commencement date, allocate and ring-fence **no less than 2.5% of the Optimised Replacement Cost (ORC) of its water supply, wastewater, stormwater, roading, and flood protection assets annually for renewal and maintenance of those assets.** This allocation shall be independently audited and publicly reported each financial year. Any shortfall

below the 2.5% threshold in any year shall be carried forward and added to the following year's allocation."

Implementation Steps

1. Obtain current Optimised Replacement Cost (ORC) valuations for all relevant asset classes from the council's asset management system.
2. Calculate 2.5% of total ORC and include this figure as a protected line item in the Long-Term Plan and Annual Plan.
3. Establish a separate reserve account (or clear internal accounting treatment) to ensure the funds cannot be used for operating expenditure or new capital works.
4. Require the council's auditor to provide an annual attestation that the 2.5% renewal allocation has been correctly calculated and applied.
5. Publish the renewal spending ratio publicly (e.g. on the council website and in the Annual Report) so ratepayers can see compliance.

Common Objections and Responses

Objection: "We already spend enough on renewals."

Response: Many councils claim this, yet independent analysis (including Te Waihanga reports) shows widespread under-investment. Requiring transparent, audited reporting removes ambiguity and protects both current and future ratepayers.

Objection: "This will force rates up."

Response: Failing to renew assets simply defers the cost. When assets eventually fail, the repair or replacement bill is usually much larger. A steady 2.5% renewal programme is generally cheaper over time than repeated crisis spending.

2. Strong Community Boards with Real Delegated Powers

Rationale

Larger unitary authorities risk becoming remote from the communities they serve. Strong community boards with genuine delegated powers and protected funding help maintain local voice and decision-making at a scale that residents can actually influence.

Recommended Clause

“In any restructured governance model, community boards shall be established as the default local governance structure. Each community board shall have delegated authority over local roading, footpaths, parks, community facilities, and local place-making within its area, together with a protected multi-year baseline funding allocation that cannot be reduced without the board’s agreement.”

Implementation Steps

1. Map existing community board boundaries and identify gaps.
2. Define a clear list of delegated responsibilities (local roads, parks, community grants, place-making, minor capital works, etc.).
3. Establish a formula for protected baseline funding (e.g. a per-capita amount plus a fixed allocation for smaller communities).
4. Require any proposal to disestablish or weaken community boards to go to a binding referendum of affected residents.

3. Binding Local Referenda (55% Threshold)

Rationale

Major structural changes to local government (boundary changes, governance model changes, large asset transfers) should require clear democratic consent from the affected communities, not just a decision by councillors or central government.

Recommended Clause

“No proposal involving a change to territorial authority boundaries, a change from the current governance model to a unitary authority, or the transfer of significant community assets shall proceed unless it has first been approved by a binding referendum of electors in the affected area(s), with a minimum threshold of 55% of votes cast in favour.”

Implementation Steps

1. Identify which decisions should trigger a referendum requirement (boundary changes, governance model change, major asset transfers).
2. Set clear rules for how referenda are triggered, funded, and run.
3. Establish the 55% threshold in the council’s standing orders or in legislation if reorganisation occurs under central government powers.

4. Ratepayer Protection Ring-Fence

Rationale

There is a significant risk that transition costs, unfunded mandates, or payments to iwi partnership entities will be loaded onto general rates without clear consent. A ring-fence protects ratepayers from hidden cost-shifting during and after reorganisation.

Recommended Clause

“No general rate revenue may be used to fund transition costs arising from local government reorganisation, any unfunded mandate imposed by central government, or payments to iwi partnership or co-governance entities, unless the use of such revenue has first been explicitly approved by a binding referendum of ratepayers or by a resolution of the council supported by at least 75% of elected members.”

5. Insurance and Credit Certainty Gate

Rationale

Larger unitary authorities will inherit areas with existing insurance and lending pressures. Without upfront assurance that the new entity will maintain investment-grade credit and that insurers will continue to cover the area at reasonable premiums, ratepayers face unacceptable long-term risk.

Recommended Clause

“No reorganisation proposal shall be submitted to the Minister unless it is accompanied by independent actuarial and credit rating advice confirming that the proposed new entity is expected to maintain an investment-grade credit rating and that major insurers have indicated they will continue to offer cover in the area at premiums no more than 15% above current regional averages (adjusted for inflation).”

Implementation Steps

1. Commission independent actuarial modelling of the proposed new entity's financial position and credit outlook.
2. Engage directly with major insurers (IAG, Tower, Vero, etc.) to obtain written indications of future coverage appetite and pricing.
3. Include the actuarial report and insurer indications as mandatory supporting documents in any reorganisation proposal.

Recommended Immediate Actions (May-June 2026)

1. Mayors of amenable councils form a small working group to agree a joint position on the five safeguards.
2. Instruct staff or independent advisors to draft model clauses based on this manual for inclusion in any formal proposal.
3. Prepare a short public version of the safeguards for community engagement and media use.
4. Request that the Department of Internal Affairs / Local Government Commission include these safeguards as standard considerations in the proposal template.

These safeguards are practical, evidence-based, and aligned with the Government's own stated goals of stronger local governance and responsible asset management. They do not prevent reorganisation — they simply ensure that any new structures are more resilient and accountable than the current system.

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For: Mayors, Council Leadership, and Ratepayer Groups